



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
PULASKI COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PULASKI COUNTY FISCAL COURT

FISCAL YEAR ENDED JUNE 30, 2000

On July 21, 2000, fieldwork was completed on the June 30, 2000 Pulaski County Fiscal Court audit. An unqualified opinion was rendered on the financial statements.

The comments and recommendations section of the audit report disclosed the following deficiencies in the operations of the Pulaski County Detention Center Jail Canteen:

- The Jailer Should Not Allow Inmates To Make Purchases From Either The Jail Canteen Or The Jail Medical Cart If They Do Not Have Sufficient Funds Available In Their Individual Accounts
- The Jailer Should Perform A Surprise Inventory Of The Jail Canteen

Reporting Entity

The Pulaski County Detention Center Corporation and the Somerset-Pulaski County Development Foundation, Inc. were included as part of the reporting entity.

Related Organization

The South Eastern Water District and the Western Pulaski County Water District are disclosed as related organizations.

Deposits

The county's deposits were fully insured or collateralized as of June 30, 2000 and August 31, 1999. The county had written agreements with its depository institutions.

Long -Term Notes Receivable

- The outstanding principal balance of the note receivable due from Somerset Food Services as a result of a Community Development Block Grant loan was \$430,572. Somerset Food Services was in substantial compliance with the terms of the loan agreement.
- The outstanding principal balance of the note receivable due from Somerset Recycling as a result of a Community Development Block Grant loan was \$118,195. Somerset Recycling was in substantial compliance with the terms of the loan agreement.

Long -Term Debt

- Bonds outstanding of the Pulaski County Detention Center Corporation Bond Fund were \$1,105,000.
- On March 1, 2000, the Pulaski County Fiscal Court issued \$935,000 of Kentucky General Obligation Public Purpose Notes in order to fund the judgement rendered against the fiscal court for the 1994 improper firing of county employees. The entire principal amount was outstanding as of June 30, 2000.

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE PULASKI COUNTY FISCAL COURT
FISCAL YEAR ENDED JUNE 30, 2000
(Continued)

Operating Leases

The county was committed to four operating leases as follows:

<u>Description</u>	<u>Principal Balance 6-30-2000</u>	<u>Maturity Date</u>
Toyota Pickup Truck	\$ 11,471	12-04-00
Road Equipment	\$ 64,000	01-20-02
Voting Machines	\$ 179,613	09-20-02
Road Equipment	\$ 284,321	09-20-04

Capital Lease Purchase Agreement

The county was committed to a capital lease purchase agreement with Kentucky Association of Counties Leasing Trust Program for fire trucks and ambulances. As of June 30, 2000, the outstanding principal balance was \$368,000.

Civil Lawsuit

It is anticipated Pulaski County will receive approximately \$140,000 from the magistrates as the result of the judge's ruling in a civil action claiming the magistrates granted themselves an improper raise.

Insurance

Pulaski County was a member of the Kentucky Association of Counties All Lines Insurance Fund for audit period.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Darrell BeShears, Pulaski County Judge/Executive

Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Pulaski County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Pulaski County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Somerset-Pulaski County Development Foundation, Inc. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Somerset-Pulaski County Development Foundation, Inc., is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Pulaski County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Darrell BeShears, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Pulaski County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 2000, in conformity with the modified cash basis of accounting described above.

Our audit was performed for the purpose of forming an opinion on the financial statements of Pulaski County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The Jailer Should Not Allow Inmates To Make Purchases From Either The Jail Canteen Or The Jail Medical Cart If They Do Not Have Sufficient Funds Available In Their Individual Accounts
- The Jailer Should Perform A Surprise Inventory Of The Jail Canteen

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2000 on our consideration of Pulaski County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 21, 2000

PULASKI COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Darrell BeShears	County Judge/Executive
Darrell Wilson	Magistrate
Howard Hansford	Magistrate
James Cothran	Magistrate
Ralph Troxtell	Magistrate
Kenneth Isaacs	Magistrate
Mike New	Magistrate
James Girdler	Magistrate

Other Elected Officials:

Fred Neikirk	County Attorney
Darrell Presley	Jailer
Willard Hansford	County Clerk
George Flynn	Circuit Court Clerk
Sam Catron	Sheriff
T.W. Todd	Property Valuation Administrator
Alan Stringer	Coroner

Appointed Personnel:

Arlene Phelps	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

PULASKI COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	634,643
Judgment Receivable (Note 9)		140,000
Road and Bridge Fund:		
Cash		218,359
Jail Fund:		
Cash		198,454
Local Government Economic Assistance Fund:		
Cash		85,842
Industrial Development Fund:		
Cash		567,395
911 Fund:		
Cash		138,809
Economic Development Fund:		
Cash		210,434
Long-Term Note Receivable (Note 4-A)		430,572
Long-Term Note Receivable (Note 4-B)		118,195
Occupational Tax Fund:		
Cash		58,603
Revolving Payroll Account:		
Cash		42,628
Insurance Reimbursement Account:		
Cash		10,280
	\$	2,854,214

Special Revenue Fund Type

Fire Protection Fund:		
Cash		352,159

Debt Service Fund Type

Detention Center Corporation Bond Fund:		
1996 Reserve Account-Cash		169,251

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for General Obligation Public Purpose Notes: (Note 6-C)	\$ 935,000
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Special Revenue Fund Type

Fire Protection Fund:

Amounts to be Provided in Future Years for KACO Leasing Trust Payments: (Note 7)	368,000
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Debt Service Fund Type

Detention Center Corporation Bond Fund:

Amounts to be Provided in Future Years for Bond Payments:(Note 6-C)	<u>935,749</u>
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Total Assets and Other Resources	<u><u>\$ 5,614,373</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

General Obligation Public Purpose Notes (Note 6-C)	\$ 935,000
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Economic Development Fund:

Deferred Revenue (Note 4-A)	430,572
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Deferred Revenue (Note 4-B)	118,195
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Revolving Payroll Account	42,628
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Insurance Reimbursement Account	<u>10,280</u>	\$ 1,536,675
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Special Revenue Fund Type

Fire Protection Fund:

KACO Leasing Trust (Note 7)	368,000
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The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Debt Service Fund Type

Detention Center Corporation Bond Fund:		
Bonds Not Matured (Note 6-B)	\$	1,105,000

Fund Balances

Reserved:

General Fund Type

Industrial Development Fund	\$	567,395	
911 Fund		138,809	
Economic Development Fund		210,434	
Occupational Tax Fund		<u>58,603</u>	975,241

Special Revenue Fund Type

Fire Protection Fund			352,159
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Unreserved:

General Fund Type

General Fund	\$	774,643	
Road and Bridge Fund		218,359	
Jail Fund		198,454	
Local Government Economic Assistance Fund		<u>85,842</u>	<u>1,277,298</u>

Total Liabilities and Fund Balances			<u>\$ 5,614,373</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

PULASKI COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

		General Fund Type		
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 13,673,460	\$ 3,002,918	\$ 1,850,969	\$ 1,366,882
Transfers In	6,782,794	3,066,276	1,878,750	
Note Proceeds	935,000	935,000		
Kentucky Advance Revenue Program	3,204,425	3,204,425		
Lease-Purchase Proceeds	564,136	236,225	327,911	
Total Cash Receipts	<u>\$ 25,159,815</u>	<u>\$ 10,444,844</u>	<u>\$ 4,057,630</u>	<u>\$ 1,366,882</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 15,176,450	\$ 7,042,026	\$ 4,007,573	\$ 1,479,926
Transfers Out	6,782,794	605,000		151,473
Bonds:				
Principal Paid	95,000			
Interest Paid	56,473			
Kentucky Advance Revenue Program Repaid	3,204,425	3,204,425		
KACO Leasing Trust - Equipment Lease	170,000			
Total Cash Disbursements	<u>\$ 25,485,142</u>	<u>\$ 10,851,451</u>	<u>\$ 4,007,573</u>	<u>\$ 1,631,399</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (325,327)	\$ (406,607)	\$ 50,057	\$ (264,517)
Cash Balance - July 1, 1999	<u>2,959,276</u>	<u>1,041,250</u>	<u>168,302</u>	<u>462,971</u>
Cash Balance - June 30, 2000	<u>\$ 2,633,949</u>	<u>\$ 634,643</u>	<u>\$ 218,359</u>	<u>\$ 198,454</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Type					Special Revenue Fund Type
Local Government Economic Assistance Fund	Industrial Development Fund	911 Fund	Economic Development Fund	Occupational Tax Fund	Fire Protection Fund
\$ 298,923	\$ 171,115 849,167	\$ 4,534 775,397	\$ 43,736 61,731	\$ 5,969,949	\$ 956,584
<u>\$ 298,923</u>	<u>\$ 1,020,282</u>	<u>\$ 779,931</u>	<u>\$ 105,467</u>	<u>\$ 5,969,949</u>	<u>\$ 956,584</u>
\$ 285,706	\$ 782,399 61,731	\$ 790,828	\$	\$ 5,964,590	\$ 787,992
					170,000
<u>\$ 285,706</u>	<u>\$ 844,130</u>	<u>\$ 790,828</u>	<u>\$ 0</u>	<u>\$ 5,964,590</u>	<u>\$ 957,992</u>
\$ 13,217 72,625	\$ 176,152 391,243	\$ (10,897) 149,706	\$ 105,467 104,967	\$ 5,359 53,244	\$ (1,408) 353,567
<u>\$ 85,842</u>	<u>\$ 567,395</u>	<u>\$ 138,809</u>	<u>\$ 210,434</u>	<u>\$ 58,603</u>	<u>\$ 352,159</u>

PULASKI COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	Debt Service Fund Type
	Detention Center Corporation Bond Fund
<u>Cash Receipts</u>	
Schedule of Operating Revenue	\$ 7,850
Transfers In	151,473
Note Proceeds	
Kentucky Advance Revenue Program	
Lease-Purchase Proceeds	
Total Cash Receipts	<u>\$ 159,323</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$
Transfers Out	
Bonds:	
Principal Paid	95,000
Interest Paid	56,473
Kentucky Advance Revenue Program	
Repaid	
KACO Leasing Trust -	
Equipment Lease	
Total Cash Disbursements	<u>\$ 151,473</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 7,850
Cash Balance - July 1, 1999	<u>161,401</u>
Cash Balance - June 30, 2000	<u><u>\$ 169,251</u></u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Pulaski County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Detention Center Corporation Bond Fund, and the Somerset-Pulaski County Development Foundation, Inc. as part of the reporting entity. The Pulaski County Fiscal Court started maintaining accounting records for the administration of the Somerset-Pulaski County Development Foundation, Inc. during fiscal year 1999-2000. However, Somerset-Pulaski County Development Foundation, Inc. is still administering the payback funds. Other auditors audited these funds.

Additional - Pulaski County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky Constitution provides for election of the above officials from the geographic area constituting Pulaski County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the County, and the Board of Education. In exercising these responsibilities, however, they are subjected to oversight by state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Pulaski County Fiscal Court's Fund Types, a definition of each, and a list of county funds included within each fund type are listed below.

1. General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Pulaski County General Fund Type includes the following county funds: the General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Industrial Development Fund, 911 Fund, Economic Development Fund, and the Occupational Tax Fund.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2. Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Fire Protection Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3. Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest, and includes funds for the Detention Center Corporation Bond Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years.

D. Legal Compliance - Budget

The Pulaski County budget is adopted on a modified cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Detention Center Corporation Bond Fund (Debt Service Fund) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pulaski County Fiscal Court: South Eastern Water District and Western Pulaski County Water District.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds.

Note 4. Long-Term Note Receivables

- A. In April 1993, Pulaski County loaned Somerset Food Services the proceeds from a Community Development Block Grant in the amount of \$317,532 plus an additional \$200,000. This loan was for a period of twenty (20) years at 3 percent interest, with 20 annual payments in the amount of \$21,307 for the first five years and \$38,061 for the remaining 15 years. As of June 30, 2000, Somerset Food Services was in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2000	\$430,572
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- B. On December 15, 1997, Pulaski County passed through Community Development Block Grant (CDBG) funds in the amount of \$99,900 to the Somerset-Pulaski County Development Foundation, Inc., which were loaned to Somerset Recycling. On June 15, 1998, an additional \$61,038 of CDBG funds was loaned to Somerset Recycling. The combined loan repayment schedule was for a period of 7 years at 5.641 percent interest, with monthly payments of \$2,403. In accordance with the grant agreement, the repayment of the CDBG funds were to be deposited to the Pulaski County Economic Development Fund. However, during fiscal year 2000, repayment of these funds were deposited into an account maintained by the Somerset-Pulaski County Development Foundation, Inc. As of June 30, 2000, these funds were transferred to the Pulaski County Economic Development Fund maintained by the County Treasurer.

Principal Balance Due at June 30, 2000	\$118,195
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PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Operating Leases

Description	Purchase Date	Maturity Date	Interest Rate	Principal Balance June 30, 2000
Toyota Pickup Truck	12/4/1996	12/04/00	Variable	\$ 11,471
Road Equipment	11/24/1997	01/20/02	Variable	\$ 64,000
Voting Machines	9/3/1999	09/20/02	Variable	\$ 179,613
Road Equipment	9/7/1999	09/20/04	Variable	\$ 284,321

Note 6. Long-Term Debt

- A. On May 1, 1990, the Pulaski County Fiscal Court entered into an agreement with the City of Somerset to pay one-half of all principal and interest for \$1,000,000 of bonds issued May 1, 1990 by the Somerset Municipal Projects Corporation to finance a portion of the Somerset Fine Arts/Community Center Building. As of June 30, 2000, the bond issue was paid in full. Pulaski County's portion of principal and interest due to the City of Somerset was paid in July 2000.
- B. On October 1, 1996, the Pulaski County Detention Center Corporation Bond Fund issued \$1,415,000 of Revenue Bonds for the purpose of defeasing the 1988 Bond Series Issue. The 1988 bonds were originally issued to finance and equip the Pulaski County Detention Center. The Refunding Bonds were dated October 1, 1996, with the requirement that two semiannual interest payments be made on January 1 and July 1 of each year commencing January 1, 1997. One principal payment will be due on July 1 of each year, commencing January 1, 1997. Bonds will mature July 1, 2008. As of June 30, 2000, the principal amount outstanding was \$1,105,000.

Fiscal Year Ending	Scheduled Interest	Scheduled Principal
June 30, 2001	\$ 51,695	\$ 100,000
June 30, 2002	46,673	105,000
June 30, 2003	41,405	110,000
June 30, 2004	35,893	115,000
June 30, 2005	30,013	125,000
June 30, 2006-2008	55,125	550,000
Totals	<u>\$ 260,804</u>	<u>\$ 1,105,000</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 6. Long-Term Debt (Continued)

C. In November 1995, a civil action judgment was rendered against the Pulaski County Fiscal Court for improperly firing employees. The judgment was for \$466,000, plus attorney fees and costs. This matter was appealed to the United States Sixth Circuit Court of Appeals. On December 21, 1999, the United States Sixth Circuit Court of Appeals upheld the judgment rendered. As a result of this decision, Pulaski County agreed to pay a total judgment amount of \$951,384, which includes the original judgment amount, lost wages, interest, and retirement.

In order to fund this judgment expense, the fiscal court paid \$16,384 out of the General Fund and issued \$935,000 of Kentucky General Obligation Public Purpose Notes Series 2000 at 5.56% interest. These notes were dated March 1, 2000, with the requirement that two semiannual interest payments be made on September 1 and March 1 of each year, commencing September 1, 2000. One principal payment will be due on March 1 of each year, commencing September 1, 2000. Notes will mature March 2004. As of June 30, 2000, the principal amount outstanding was \$935,000.

<u>Fiscal Year Ending</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 51,986	\$ 215,000
June 30, 2002	40,032	225,000
June 30, 2003	27,522	240,000
June 30, 2004	14,178	255,000
Totals	<u>\$ 133,718</u>	<u>\$ 935,000</u>

Note 7. Lease-Purchase Agreements

In June 1992, the county entered into a capital lease-purchase agreement with Kentucky Association of Counties Leasing Trust Program for the acquisition of fire trucks and an ambulance. Terms of the agreement stipulate a ten-year repayment schedule with variable interest payments and variable annual principal payments. As of June 30, 2000, the principal balance was \$368,000.

<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
June 30, 2001	\$ 15,170	\$ 179,000
June 30, 2002	5,700	189,000
Totals	<u>\$ 20,870</u>	<u>\$ 368,000</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2000, Pulaski County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Civil Lawsuit

There was a Civil Action filed against the magistrates of Pulaski County because of a pay raise the magistrates granted themselves. The judge ruled that the magistrates were to reimburse the county. The county is waiting for the judge's final order defining the amount due the county. It is anticipated that Pulaski County will receive approximately \$140,000 from the magistrates.

Note 10. Jail Canteen Account

Jail Canteen operations are authorized under KRS 441.135(1)(2), which allows the Jailer to sell snacks, sodas, cigarettes, etc. to inmates incarcerated in the local jail. The profits generated from the sale of these items are to be used for the benefit or recreation of the inmates. Also applicable to canteen operations are KRS 68.210 and Technical Audit Bulletins 93-002 and 97-001. KRS 68.210 requires the Jailer to maintain minimum accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide further accounting and expenditure guidance for acceptable Jail Canteen operations.

During fiscal year ended June 30, 2000, the Pulaski County Detention Center Jail Canteen received \$259,521 and expended \$238,080. The Jail Canteen reported June 30 ending balances of \$60,266 and of \$81,707 for 1999 and 2000, respectively.

The Pulaski County Detention Center Jail Canteen operations do not fully comply with KRS 441.135, KRS 68.210, and TAB 93-002. Specific deficiencies of the Canteen operation are noted within the comment and recommendation section of this audit.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

PULASKI COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type:</u>			
General Fund	\$ 6,110,090	\$ 3,002,918	\$ (3,107,172)
Road and Bridge Fund	2,951,100	1,850,969	(1,100,131)
Jail Fund	1,349,878	1,366,882	17,004
Local Government Economic Assistance Fund	265,500	298,923	33,423
Industrial Development Fund	827,400	171,115	(656,285)
9-1-1 Fund	756,400	4,534	(751,866)
Economic Development Fund	24,000	43,736	19,736
Occupational Tax Fund		5,969,949	5,969,949
<u>Special Revenue Fund Type:</u>			
Fire Fund	<u>778,000</u>	<u>956,584</u>	<u>178,584</u>
Total	<u>\$ 13,062,368</u>	<u>\$ 13,665,610</u>	<u>\$ 603,242</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 13,062,368
Add: Budgeted Prior Year Surplus			2,847,900
Budgeted Lease Proceeds			564,135
Budgeted Borrowed Money			3,573,900
Less: Transfers to Detention Center			
Corporation Bond Fund-			
Principal			95,000
Interest			56,473
KACO Leasing Trust Equipment Lease-			
Principal			170,000
Kentucky Advanced Revenue Program			<u>3,204,425</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 16,522,405</u>

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SCHEDULE OF OPERATING REVENUE

PULASKI COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPES</u>				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 8,345,321	\$ 7,427,344	\$ 917,977	\$
In Lieu Tax Payments	132,710	132,710		
Excess Fees	560,287	560,287		
License and Permits	99,587	99,587		
Intergovernmental Revenues	3,935,432	3,927,429	8,003	
Charges for Services	139,506	139,506		
Miscellaneous Revenues	260,615	247,456	13,159	
Interest Earned	200,002	174,707	17,445	7,850
Total Operating Revenue	<u>\$ 13,673,460</u>	<u>\$ 12,709,026</u>	<u>\$ 956,584</u>	<u>\$ 7,850</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

PULASKI COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,615,878	\$ 2,280,257	\$ 335,621
Protection to Persons and Property	2,934,117	2,749,386	184,731
General Health and Sanitation	560,614	533,488	27,126
Social Services	65,873	60,541	5,332
Recreation and Culture	241,641	233,514	8,127
Roads	3,741,603	3,602,497	139,106
Airports	20,000	20,000	
Debt Service	253,425	132,005	121,420
Capital Projects	586,982	586,380	602
Administration	4,577,272	4,190,390	386,882
Total Operating Budget - All General Fund Types	\$ 15,597,405	\$ 14,388,458	\$ 1,208,947
Other Financing Uses:			
Transfers to Detention Center			
Corporation Bond Fund-			
Principal	95,000	95,000	
Interest	56,473	56,473	
Borrowed Money:			
Kentucky Advanced Revenue			
Program - Principal	3,204,425	3,204,425	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 18,953,303</u>	<u>\$ 17,744,356</u>	<u>\$ 1,208,947</u>

PULASKI COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 460,065	\$ 396,015	\$ 64,050
Debt Service	23,936	23,935	1
Capital Projects	269,910	237,363	32,547
Administration	171,089	130,679	40,410
Total Operating Budget - All Special Revenue Fund Types	\$ 925,000	\$ 787,992	\$ 137,008
Other Financing Uses:			
KACO Leasing Trust Equipment Lease- Principal	170,000	170,000	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,095,000</u>	<u>\$ 957,992</u>	<u>\$ 137,008</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Darrell BeShears, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Pulaski County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated July 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pulaski County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pulaski County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Darrell BeShears, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court
Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 21, 2000

COMMENTS AND RECOMMENDATIONS

PULASKI COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

- 1) The Jailer Should Not Allow Inmates To Make Purchases From Either The Jail Canteen Or The Jail Medical Cart If They Do Not Have Sufficient Funds Available In Their Individual Accounts
-

During our review of inmate account records, we identified a number of inmates who had negative account balances. These negative balances appeared to be the result of debits made to individual inmate accounts for purchases from the Jail "Medical Cart." Jailer Darrell Presley indicates he believes KRS 441.045(12) provides him with the justification to assess a "reasonable fee" for processing Jail Medical Cart purchases. The Auditor of Public Accounts, however, does not agree with the Jailer's justifications and we respectfully request that the Jailer obtain a written opinion from the County Attorney supporting his actions/activities. This matter has been brought to management's attention since first reported in the fiscal year ended 1997. Additionally, it appears that the Jail Canteen profits are being used to cover negative balances in individual inmate accounts.

Jailer Darrell Presley's Response:

Jailer Presley will take Over-The-Counter medications off the "medical cart" and place them into the Canteen inventory. Jailer Presley will meet with the County Attorney and request a written opinion. The opinion will be forwarded to the Auditor's Office for consideration.

- 2) The Jailer Should Perform A Surprise Inventory Of The Jail Canteen.

During our prior year audits, we noted the Jailer has not taken a physical inventory of the Jail Canteen. Instead, the Jailer maintains a perpetual inventory on a computer. This matter has been brought to management's attention since it was first reported in fiscal year ended 1997. The purpose of a surprise inventory will insure that the quantities on hand agree to the perpetual inventory and could potentially reveal any loss of items due to theft, spoilage, etc. The Jailer indicated that he would conduct a complete physical inventory prior to the end of the fiscal year 1999-2000.

Jailer Darrell Presley's Response:

Jailer Presley indicated a physical inventory will be taken on Tuesday, July 25, 2000.

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

PULASKI COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000


Appendix A

CERTIFICATION OF COMPLIANCE

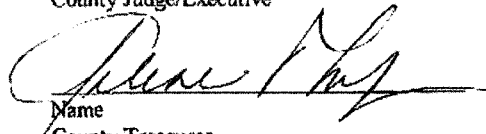
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

PULASKI COUNTY FISCAL COURT

The Pulaski County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

SOMERSET-PULASKI COUNTY
DEVELOPMENT FOUNDATION, INC.

Fiscal Year Ended June 30, 2000

